

## Message Text

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ACTION ARA-14

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FM AMEMBASSY MEXICO  
TO SECSTATE WASHDC 3096  
INFO AMEMBASSY BONN  
AMEMBASSY SAN JOSE

C O N F I D E N T I A L MEXICO 10558

E. O. 11652: GDS  
TAGS: PFOR, MX, GW  
SUBJECT: STATE VISIT OF FRG PRESIDENT SCHEEL-JUNE 9-15.

1. FRG PRESIDENT WALTER SCHEEL COMPLETED A SIX-DAY VISIT TO MEXICO, AND ALL SIDES PERCEIVED IT AS A PUBLIC RELATIONS SUCCESS. SCHEEL WAS RELAXED AND LOW-KEYED, WHETHER AT THE STATE DINNER IN MEXICO CITY OR TOURING THE RUINS OF THE YUCATAN PENINSULA. THE ONLY SLIGHTLY NEGATIVE NOTE OF THE VISIT WAS STRUCK WHEN SCHEEL MADE A VAGUELY CRITICAL REMARK ABOUT THE DIFFICULTIES IMPOSED BY THE MEXICAN FOREIGN INVESTMENT LAW. IT APPEARS, HOWEVER, THAT THE TONE OF THE REMARK WAS EXAGGERATED BY THE PRESS, AND ACCORDING TO THE FRG EMBASSY, THE ENTIRE VISIT WAS MARKED WITH A SPIRIT OF CORDIALITY AND COOPERATION THAT WAS LACKING DURING FORMER PRESIDENT ECHEVERRIA'S TRIP TO GERMANY IN 1974. AT THAT TIME, THE FRG'S LACK OF SUPPORT FOR THE CERDS WAS A PREDOMINANT ISSUE.

2. THE MAJOR CONCRETE RESULT OF THE VISIT WAS THE ESTABLISHMENT OF A FRG-MEXICAN MIXED COMMISSION TO DEAL WITH BILATERAL ECONOMIC ISSUES. THE MEXICANS WOULD LIKE THE  
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COMMISSION'S FIRST MEETING TO BE HELD WITHIN A MONTH, BUT THE GERMANS EXPECT IT WILL BE SEVERAL MONTHS BEFORE BOTH SIDES WILL BE READY. THE CHIEF MEXICAN REPRESENTATIVE ON THE COMMISSION WILL BE FOREIGN UNDERSECRETARY JUAN DE JOSE OLLOQUI, WHO HAS PRIME RESPONSIBILITY IN THE FOREIGN SECRETARIAT FOR BILATERAL ECONOMIC AFFAIRS.

3. ACCORDING TO THE FRG EMBASSY'S ECONOMIC COUNSELOR, GOTTFRIED EVERTZ, THE MAJOR ITEMS TO BE DISCUSSED IN THE MIXED COMMISSION WILL BE:

A) TRADE: SINCE MEXICO HAS A LARGE UNFAVORABLE BALANCE WITH THE FRG, MEXICO WILL BE MOST CONCERNED WITH INCREASING EXPORTS TO THE FRG. HOWEVER, EVERTZ CHARACTERIZED MEXICO'S PROBLEMS IN THAT AREA AS TWO-FOLD:

- 1) MEXICO WANTS SPECIAL TREATMENT FOR PRODUCTS WHICH COME UNDER THE JURISDICTION OF THE EEC INSTEAD OF THE FRG.

- 2) THE MEXICANS DO NOT HAVE THE MARKETING EXPERTISE TO TAKE ADVANTAGE OF THE SALES POTENTIAL IN THE WEST GERMAN MARKET. EVERTZ WAS CRITICAL OF THE GOM APPROACH TO INCREASING MEXICAN EXPORTS TO GERMANY BY TRYING TO THROW THE BURDEN UPON FOREIGN OR GERMAN FIRMS AND BY IGNORING THE COMPLEXITIES OF A FREE MARKET SYSTEM.

- B) INVESTMENT: FRG MEDIUM-SIZE BUSINESSES HAVE BEEN HESITANT TO ENTER MEXICO BECAUSE OF THE 51 MEXICAN-OWNERSHIP REQUIREMENT OF THE FOREIGN INVESTMENT LAW. THE MIXED COMMISSION WILL LOOK INTO MECHANISMS TO FACILITATE GERMAN INVESTMENT THROUGH THE USE OF SEMI-OFFICIAL FINANCING CONCERNS. THE CONCERN (FIDECOMISO) WOULD BE SET UP WITH BOTH MEXICAN AND GERMAN CAPITAL AND, ALTHOUGH THE LATTER WOULD PROBABLY PREDOMINATE, THE MEXICAN WOULD CONFIDENTIAL

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SIDER IT TO BE NEUTRAL UNDER THEIR INVESTMENT LAWS. THE FIDECOMISO WOULD THEN TAKE A PART IN A VENTURE INVOLVING GERMAN AND MEXICAN CAPITAL.

- C) TOURISM: ABOUT 20,000 WEST GERMAN TOURISTS PER YEAR COME TO MEXICO, AND THE MEXICANS HOPE THAT PRESIDENT SCHEEL'S VISIT TO THE YUCATAN WILL DRAW MORE WEST GERMAN TOURISTS TO MEXICO. ONE TOPIC TO BE DISCUSSED BY THE MIXED COMMISSION WILL BE THE POSSIBILITY OF A LUFTHANSA STOP IN CANCUN, MEXICO'S CARIBBEAN RESORT.

4. IN THEIR TWO OFFICIAL MEETINGS, SCHEEL AND PRESIDENT LOPEZ PORTILLO ALSO REVIEWED VARIOUS INTERNATIONAL ISSUES. WITHOUT STATING IT EXPLICITLY, LOPEZ PORTILLO MADE CLEAR IN AT LEAST ONE SPEECH TO SCHEEL THAT THE UN SHOULD NOW BE THE MAIN FORUM FOR THE CONTINUATION OF THE NORTH-SOUTH DIALOGUE. LOPEZ PORTILLO ALSO EXPRESSED OPTIMISM ABOUT AN EARLY SIGNING OF A NEW PANAMA CANAL TREATY AND POINTED OUT THAT CUBA NO LONGER POSED ANY THREAT OF EXPORTING REVOLUTION TO THE REST OF THE HEMISPHERE. THE MEXICANS, HOWEVER, HAD NO SUBSTANTIVE COMMENT ON CUBAN ACTIVITY IN AFRICA.

5. FROM THE GOM SIDE WE HEARD NOT SURPRISING COMMENT THAT MEXICAN OFFICIALS WERE IMPRESSED, EVEN AWED, BY THE EXTENT

OF GERMAN PREPARATIONS FOR TALKS, DEGREE OF KNOWLEDGE  
DISPLAYED. AND CLOCKLIKE PRECISION OF GERMAN PRESENTATIONS.  
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